# Housing Authority - County of Los Angeles

October 17, 2008

TO:         Each Supervisor

FROM:       William K. Huang, Acting Executive Director

SUBJECT:    MONTHLY PROGRESS REPORT ON THE SECTION 8 PROGRAM

On March 13, 2007 your Board instructed the Housing Authority to report monthly on the progress to remove the Section 8 program from its Troubled status under Section 8 Management Assessment Program (SEMAP). On June 17, 2008 your Board directed the Housing Authority to report on progress made in obtaining HUD VASH (Veterans Affairs Supportive Housing Program) vouchers.

This report covers activities for the period between September 15, 2008 and October 15, 2008, and provides information on the following:

- Lease-up
- Annual Re-Examinations
- Inspections
- Corrective Action Plan for FYE 2006
- HUD OIG Audit Report
- HUD OIG Audit on Financial Systems
- The Confirmatory Review for FY 2006-2007
- YARDI System Update
- Los Angeles Housing Resource Center
- Call Center
- HUD - VASH Vouchers
- Vouchers to Fire Victims

**Lease-up, Annual Re-examinations and Inspections –**
As previously reported, our voucher allocation has increased to 20,876. As of September 30, 2008, our lease-up rate was 96.8%, representing a total of 20,208 assisted families throughout the County. We are maintaining a 2% delinquency rate for our inspections, and are at a 5% delinquency rate for our annual re-examinations that are 14 months or more overdue and a 14% delinquency rate for our annual re-examinations that are 13 months or more overdue. HACoLA's data is pulled from HUD's data reporting system, the Public and Indian Housing Information Center (PIC), which is used to obtain SEMAP performance status.

HACoLA's re-examination delinquency rate increased due to YARDI staff training during the months of June and July. Additionally, the expected learning curve once YARDI was implemented on July 1 contributed to the increase. HACoLA anticipated this increase and has designated additional staff to assist with completing annual re-examinations.

**Corrective Action Plan for FYE 2006–**
To date, one member of the Housing Advisory Board is pending completion of the training as required by the Corrective Action Plan (CAP) for FYE 2006. As I previously reported, HUD has closed all other items of the CAP.

**HUD OIG Audit on Tenant Eligibility and Annual Reexaminations–**
HUD staff was at HACoLA the week of September 8, 2008 to conduct a confirmatory review of our responses to the initial audit. They are continuing to review open items. I will share the final report upon receipt.

**HUD OIG Financial Audit**
The on-site audit is still in progress. I will report to your Board if and when any recommendations are made.

**HUD's On-Site Confirmatory Review for FYE 2007 –**
As previously reported, the follow-up to the on-site confirmatory review for FYE 2007 took place the week of July 28, 2008. The results of the review were received the week of September 5 and are attached.

There was a reduction of SEMAP points for specific indicators, which resulted in a Troubled rating. As a result, HACoLA is required to submit a Corrective Action Plan (CAP) to HUD for the indicators that received zero points. The CAP for FYE 2007 differs from the CAP executed for FYE 2006 in that it applies only to a limited number of items; HACoLA has already completed corrective actions addressing many of the indicators of concern (as noted by the HUD reviewer in the attached report).

A draft of the CAP, along with a plan of action related to the finance issues noted on pages 29-32 of the report has been submitted to HUD for negotiation. Once the CAP is finalized, it will be submitted to your Board for execution.

HUD has indicated that their on-site confirmatory review for FYE 2008 has been postponed until early 2009, once HUD travel funds become available. HACoLA expects a SEMAP score of 113 points for FYE 2008.

**YARDI Status-**
The independent review of the YARDI implementation has been completed and is attached.

The report concluded the following:

- Complete data conversion from the legacy system and data integrity in the new system;
- Accurate and timely housing assistance payments (HAP) to the owners;
- Overall readiness of the organization in utilizing and maximizing the capabilities afforded by the new system.

**Los Angeles Housing Resource Center (formerly Socialserve.com)-**
For a 28-day period between September 16 and October 14, 2008, the Los Angeles Housing Resource Center averaged 6,275 total listings (a 7% increase over last month), 4,091 participating landlords (a 5% increase over last month), and 131,374 housing searches.

**Call Center –**
Our call center averaged a weekly total of 3,162 calls, with an overall total for the period between September 16 and October 15, 2008 of 12,649 calls. The average wait time was two minutes, nine seconds, a 20% decrease over the previous month's hold time.

**HUD-VASH Vouchers –**
We are continuing to work with the City of Long Beach and the Housing Authority of the City of Los Angeles (HACLA), who received 70 and 840 vouchers, respectively.

The following activities update the previous report(s):

- The CDC is working with the Chief Executive's office to assist in the disbursement of information to all County departments.
- VA protocols are in place; our Housing Development and Preservation (HD&P) division is working with all parties involved to assure referrals are made and concerns are addressed. Unfortunately many of the veterans referred by the County Department of Military and Veterans Affairs are not VASH voucher eligible under the VA eligibility guidelines. They do not have a steady income, are not ready to live independently, and/or do not agree to 5 years of case management as required by the program.

**Vouchers for Fire Victims-**
Fifty vouchers were set-aside for victims of the Sesnon and Marek fires. Staff was available at the evacuation site to issue vouchers and assist families. Approximately 36 Los Angeles County households lost their homes. HACoLA is working with these residents and expediting the applications process that qualifies them for the Section 8 Program.

Please contact me should you have any questions or need additional information.
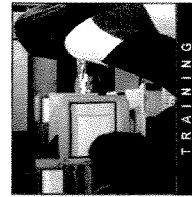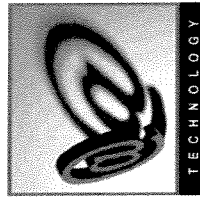
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Enclosures:
   Bronner Group Final Report: Independent Review of the YARDI Voyager
    System Implementation
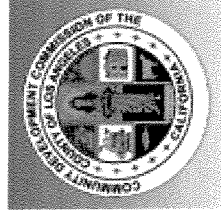   Final Results of the On-site Assessment and SEMAP Certification Review

c: Lari Sheehan, Chief Deputy Executive Officer
   Sachi A. Hamai, Executive Officer/Clerk Board of Supervisors
   Each Deputy

# BRONNER
## The Business of Government

**HOUSING AUTHORITY OF THE COUNTY OF LOS ANGELES**

**FINAL REPORT ON:**

- INDEPENDENT REVIEW OF THE YARDI VOYAGER SYSTEM IMPLEMENTATION

SUBMITTED BY
BRONNER GROUP, LLC
SEPTEMBER 23, 2008

CONSULTING ASSURANCE TECHNOLOGY TRAINING

**HOUSING AUTHORITY OF THE COUNTY OF LOS ANGELES**

## TABLE OF CONTENTS

BRONNER

## HOUSING AUTHORITY OF THE COUNTY OF LOS ANGELES
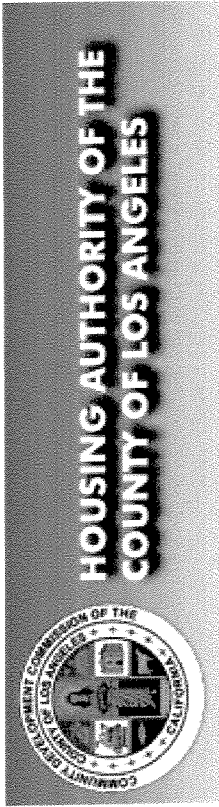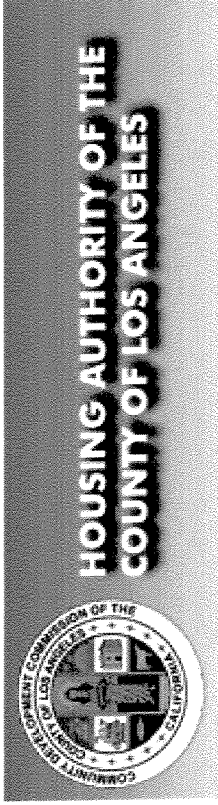
## EXECUTIVE SUMMARY

The Housing Authority of the County of Los Angeles (HACoLA) commissioned Bronner Group, LLC (BRONNER) in March 2008 to conduct an independent review of the implementation of HACoLA's Yardi Voyager software system in accordance with its continuing efforts to improve operations and achieve overall compliance with regulations and audit findings. The review focused on the months leading to and after the system deployment (go-live), with the overall goal of assisting HACoLA ensure success in three critical areas:

1. Data conversion from the legacy system and data integrity in the new system;

2. Accurate and timely housing assistance payments (HAP) to the owners; and,

3. Overall readiness of the organization in utilizing and maximizing the capabilities afforded by the new system.

This report presents BRONNER's observations and HACoLA's management actions during the review period from March 2008 to September 2008, which included participation in project management conference calls and four on-site reviews.

### ADDRESSING THE CHALLENGES

HACoLA pre-determined and addressed major challenges relating to the aforementioned three critical areas. However, typical of major system implementations of this scale, system deployment issues and problems still emerged that required corrective action on both the new system and business processes. To emphasize the scale of this project, data included files and information of approximately 20,000 tenants, 12,000 owners, 34,000 units and 250,000 applicants. Implementation issues, such as incomplete or inconsistent data, could have been mitigated prior to deployment, but their full extent and ramifications tend to be discovered or highlighted only after data conversion. From March to August, the Authority had to increase its allocation of staff and other related resources to the project implementation and intensify all efforts in order to ensure success of the system deployment and stabilization, particularly leading to the first HAP check issuances on August 1, 2008.

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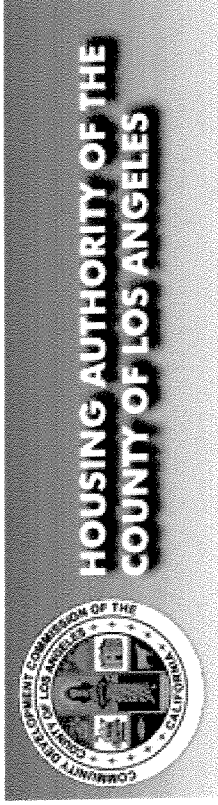
*SUSTAINING SUCCESS*

HACoLA made the right decision to delay the original go-live date of April 1. In doing so, management and staff were able to troubleshoot and establish proper technology and business solutions to the major issues that surfaced prior to April 1, particularly in training staff and refining other required system functions. With July 1 as the new go-live date and August 1 for the check run of HAP, management was further able to implement a more thorough review, correction and clean-up of converted data in Yardi and institute required changes in business practices and policies. As a long-term solution, HACoLA management sustained the gains realized during the intensive post go-live internal auditing/quality control (QC) by further strengthening role of QC processes, assigning clear accountabilities and internal control among supervisors and staff, and leveraging the new and emerging efficiencies afforded by the new housing system.
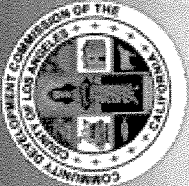
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## SCOPE AND METHODOLOGY

In accordance with the proposed scope of work, BRONNER implemented the following for the review during the months from mid-March to mid-September:

- Determine and/or confirm with HACoLA managers or supervisors via interviews their respective expectations for a successful conversion to Yardi, taking into consideration previous Corrective Action Plans, Quality Assurance Plans, Business Process Reengineering initiatives, HUD Audits, and other factors affecting the functionality and success of the Yardi system.

- Review project status and accomplishments to-date and compare against expected outcomes and deliverables.

- Based on project documentation of expected deliverables and outcomes, verify and validate that the following have been accomplished and/or addressed by the vendor and the project team (Yardi and HACoLA).

  o Implementation of Yardi system for effective adoption and use of HACoLA staff.

  o Mitigation activities of all identified and potential risks and vulnerabilities relating to the technical and data conversion, go-live support, redundancies, staff training and effective use of the system, training manuals, interface with other software applications, etc.

- Assess with Section 8 managers and supervisors that all business process and staff competency requirements are in place in relation to the new system functionality, e.g. rent determination, HAP register reconciliation, handling of negative rents, access to achieved data/move out data, check runs for the property owners, etc.

- Develop and submit observations at various stages for management consideration (action) to ensure effective and successful implementation of the Yardi system, related business process improvements, and staff accountabilities and competencies.

In performing the above and per the agreed-upon scope of work, BRONNER participated in project team meetings (majority via conference calls) and conducted four on-site assessments during the weeks of March 18, June 23, July 21 and August 12.

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## OBSERVATIONS AND MANAGEMENT ACTIONS

This section presents the observations and related management actions during three major review phases – *Prior to Go-Live Date; Post Go-Live Date;* and *Prior to and After HAP Check Run.*
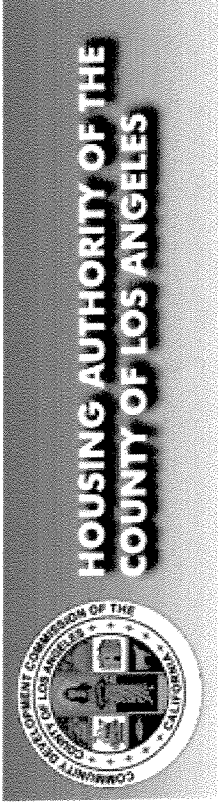
### REVIEW PHASE 1: PRIOR TO GO-LIVE DATE

**Observations:**

(The following reflects the memo issued on March 28, 2008 to Ms. Margarita Lares as BRONNER's observations regarding the need to extend the deadline for the go-live date. This memo was drafted after the first on-site review).

During the project management meeting conducted last March 23, 2008, BRONNER concurred with the project team recommendation to extend the go-live date to July 1 versus the original April 1, based on the following reasons:

- Several critical priorities, including the Yardi go-live date, competed on staff time and efforts. It was imperative that achieving full SEMAP compliance should not be compromised by aggressive timing considerations. As determined during staff interviews and meetings, staff needed to focus on tasks that would ensure SEMAP compliance, not only in view of audit findings but as part of ongoing efforts to remain customer-focused and be fully accountable. Despite demonstrated staff commitment to address all Yardi and SEMAP requirements concurrently, there was concern that the latter might suffer because of the decreased focus on it.

- Extending the go-live deadline would allow the entire project team to complete development and testing. Although the Yardi development team would still be required to sustain its determined pace of finishing all the system requirements, comprehensive user testing must be fully implemented as well. Based on the review of the project timeline and the need to focus on SEMAP compliance, user testing could have only been done effectively at later dates.

- Finally, extending the deadline would likely ensure a more successful implementation of Yardi. It would give the Authority broader latitude to mitigate all risks and issues identified at that point. However, this meant that the Yardi team would continue the required pace to complete development and production as agreed-upon with HACoLA.

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**Management Action**

- Management extended the go-live deadline to July 1, 2008 in order to ensure that all go-live requirements would be met.

## REVIEW PHASE 2: POST GO-LIVE DATE

(The following reflects the memo issued on July 8, 2008 to Ms. Margarita Lares as BRONNER's observations on items that require management consideration immediately after the go-live date of July 1).

- **Question on Need for a Dual System for the Check Run**

  BRONNER raised the concern whether not having a dual system during the check run would run the risk of having a no system back-up if production would fail. Typically, running a dual check preparation and run would be an effective redundancy to mitigate potential risks of a failed/erroneous check run from a new system; however, this would also be a costly solution in terms of staff time and IT resources. In view of the assurances of the system implementation team (Yardi), mitigating actions have been adequately addressed the risks of the check run.

- **Call Center Preparation**

  In anticipation of the major changes and potential issues after go-live, Call Center agents should be trained and enabled to respond all potential calls from landlords, whether questions, feedback or complaints. The agents should know how to respond and triage if necessary.

- **Training and Continuous Improvement**

  HACoLA demonstrated a consistent and diligent preparation for the staff training and user manual development. Ensuring that staff would be prepared was a key reason for the earlier decision to extend the deadline/go-live date.

  Another recommendation was to establishing a performance management system (short- and long-term) to ensure that supervisors would be accountable to being proficient with the new system and its related new processes. In the end, expectation to have staff be knowledgeable on the new system and maximizing its functionality can be facilitated by management/supervisory modeling.

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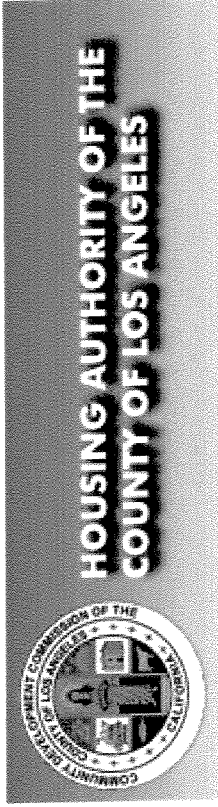
To sustain continuous improvement, it was also recommended to set up an "Internal Best Practices Team", which would be a forum for collecting, discussing and communicating all lessons learned, tips uncovered and issues resolved. If necessary, information could be appended to the current manual at a later date. (To this end, BRONNER recommended that the final manual be developed in modular form to facilitate ease in modifying sections of the manual at a later date).

**Management Actions**

- The project team developed the system and implementation plan that would mitigate the absence for a more costly dual system.

- For data clean-up, management performed audits and corrective action on the last check run from the legacy system.

- Management performed training for the Call Center staff.

- The training group developed a very comprehensive, modular training manual. Extensive trainings were conducted among various user groups to go over the new system functions and processes.

REVIEW PHASE 3: PRIOR TO AND POST HAP CHECK RUN

**Observations:**

- Anticipated Conversion Issues

  o Data conversion included all files and information relating to the following:

    - 20,000 tenants

    - 12,000 owners

    - 34,000 units

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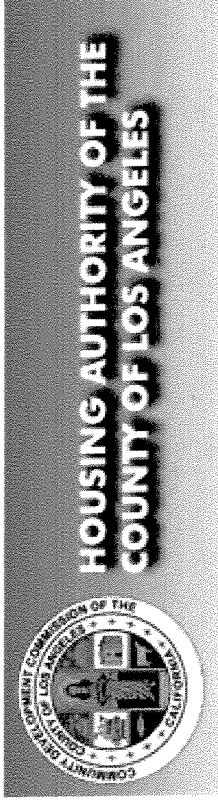
o Despite concerted and planned efforts to address identified issues prior to the go-live date (e.g. data clean up), more specific system and/or data issues would only be highlighted after conversion and during comparative review of actual data converted into the new system (Yardi) versus source data in the legacy system (Emphasys).

o Anticipated conversion errors, such as 292 duplicate SSNs, were identified during staff audit review of the data.

o One major factor that would eventually highlight the specific errors, such as those relating to inspection results and owner payments, was that Yardi only converted data that had the proper or completed 50058's. Otherwise, the conversion did not include the correct data that were not associated with their respective 50058's. This issue would then impact the HAP check run, particularly those without or incomplete 50058's.

• For the post-conversion "data clean up", BRONNER emphasized the need for management to implement its "the A (excellent) Staff Team" to perform data audit and correction. This would assure that initial efforts at audit would result in a higher degree of error identification and correction ("Do it right the first time").

• Housing Assistance Payments (HAP)

o HACoLA identified owners that did not have checks prepared during the August run (August) due to the issue with 50058's, as mentioned above.

o HACoLA identified seven (7) accounts whose direct deposit payments were not successful. This error was primarily due to incorrect (not updated) owner account information recorded prior to the Yardi check run.

o There would still be a need to perform mid-month check runs to account to accommodate completion of new contracts and/or other transactions.

• Tenant Rent Payment Adjustments

o The initial configuration of Yardi would not be able to issue checks to tenants as refunds due to errors/ adjustments in tenant rent portions. In the past, HACoLA would issue checks to tenants directly.

o Two possible options could be considered: 1) Similar to actions taken by other housing agencies, HACoLA would notify both owners and tenants that an overpayment by the tenant must be credited back; and 2) As with other housing agencies, checks could be "cut" to tenants by setting up tenants as "vendor" in the system. The former requires monitoring effort to ensure that

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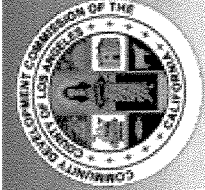
the owners comply with the instruction to credit payment to the tenant. The latter is something that management and system administrators could implement in conjunction with the appropriate quality control and monitoring processes.

- Inspections

  o Inspections information was not converted into Yardi, including those with 151 records with missing SSN.

  o As stated earlier, completed inspections that were not associated with 50058s did not get converted.

- Portability

  o New Contract Portability files were not transferred into Yardi because there were no associated 50058's in the legacy system. Additionally, legacy system did not capture or show other required information.

- Training

  o A comprehensive approach to training prior to go-live was implemented; however, as expected, additional training and knowledge capture initiatives would have to be sustained in order to achieve the desired the level of system proficiency and familiarity among all personnel.

  o It was also emphasized that in order to maximize the new system's functionality, managers and supervisors would have to be familiar with the system, including extracting reports to aid in operations and strategic management decision-making (behavior and role modeling).

- Security and Access

  o New security settings will enhance internal controls. However, with the enforced internal controls, certain staffs have now been denied access to certain functions that they had previously performed. This would require additional clarification on new roles and functions and re-assignment of tasks.

- FSS Escrow Accounts

  o Discrepancy of data also occurred in the FSS escrow accounts, with 120 records with missing fields. This was not due to system conversion, but rather source data that needed to be updated and/or corrected.

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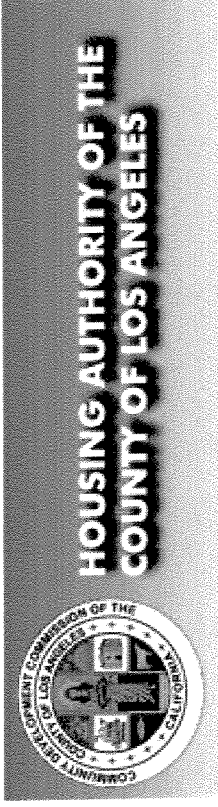
- Reporting System

  o Numerous ad-hoc reports were deleted in the system in order to streamline the number of reports and consolidate as much as possible the information necessary for day-to-day and strategic management operations.

## Management Actions

- The most crucial management action taken to address data errors was fielding the agency's "A Team" in conducting data audit, QC and corrective action in order to achieve data accuracy, completeness and consistency within Yardi. The "A Team" was composed of staffs that were both knowledgeable in the general program requirements and with the new system. During an intensive week of reviews, the team successfully identified and corrected causes of data errors and inconsistencies.

- For mid- and long-term purposes, Ms. Lares has initiated an organizational restructuring that is intended to leverage the new system's capabilities, the new business processes and increased resource time saved by reducing paper and highly manual processes.

  o One important initiative is strengthening the QC function with management and staff focused on this function. Due to the efficiencies afforded by the new Yardi system, QC processes have begun to realize much shorter review cycles prior to each check run. It is projected that they could perform a complete a thorough QC process within two days.

  o The QC process is complemented by assigning a competent supervisor to be the "System Administrator", who performs an enterprise business/system analyst role, i.e., ensuring that Yardi's functions and capabilities are utilized optimally and improved upon by emerging internal best practices.

- Management has now reduced its previous weekly check run to just two check runs, on the 1st and 15th of the month.

- Management will notify both owner and tenant that tenant has to be credited when tenant has overpaid its portion.

- The IT Group has developed a solution that would upload all inspection results into Yardi.

- Management has entered Portability data into Yardi.

- Management is still developing its solution and/or correcting the errors relating to the FSS escrow accounts.

- For stronger internal controls, the Director will be the one approving all changes and/or requests for user access levels.
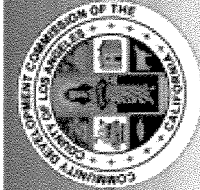
**HOUSING AUTHORITY OF THE COUNTY OF LOS ANGELES**

## CONCLUSION

HACoLA management, in close coordination with the Yardi project management team, accomplished the following critical goals through 1) careful planning, risk mitigation and preparation prior to system deployment; and 2) quick "troubleshooting" and establishment of new business practices/structures:

1. Complete data conversion from the legacy system and data integrity in the new system;

2. Accurate and timely housing assistance payments (HAP) to the owners; and,

3. Overall readiness of the organization in utilizing and maximizing the capabilities afforded by the new system.

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RECOVERY AND PREVENTION CORPS

September 5, 2008

Mr. ~~Gregg Fortner~~ ʳˢWilliam Huang
Acting Executive Director
Housing Authority of the County of Los Angeles
12131 Telegraph Rd
Santa Fe Springs, CA 90670

Dear Mr. Fortner:

The purpose of this letter is to transmit the final results of the on-site assessment and SEMAP Certification Review of the Section 8 Program administered by the Housing Authority of the County of Los Angeles (HACoLA). This review was conducted under the provisions of 24 CFR 985.107 as a result of the most recent Section 8 Management Assessment Program (SEMAP) Certification for FYE June 30, 2007, your agency received a score of 90 points out of a possible 145 points or 62 percent, and was designated a standard performer.

The on-site SEMAP Certification Review was conducted by a team from the U.S. Department of Housing and Urban Development's Office of Field Operations, Cleveland Office of Recovery and Prevention Corps (RPC) during the months of June and July, 2008.

The following report provides specific details on the results of the on-site review by functional areas of the HACoLA's Section 8 program administration. The following chart is a summary of the scoring results from the submitted certification and the modified score based on the on-site review.

The program management assessment portion of the SEMAP Certification Review report evaluates the PHA's performance in the areas of Governance, Administrative Plan and related policies, Organization and Staffing, Financial management and controls, Procurement, Inspection Procedures, Housing Stock, Lead Based Paint, and a Check on Closed OIG Audit Findings of Housing Quality Standards (HQS).

**Scoring Report on the Confirmation of the Section 8 Management Assessment Program (SEMAP) Certification for the Housing Authority of County of Los Angeles (HACoLA), Fiscal Year Ending June 30, 2007**

| Indicator | Max. Score | Original Certification | Unconfirmed Score | HUD Review Score |
|---|---|---|---|---|
| 1. Selection from the Waiting List | 15 | 15 | 15 | 15 |
| 2. Reasonable Rent | 20 | 20 | 20 | 20 |
| 3. Determination of Adjusted Income | 20 | 0 | 0 | 0 |
| 4. Utility Allowance Schedule | 5 | 5 | 5 | 5 |
| 5. HQS Quality Control Inspections | 5 | 5 | 5 | 5 |
| 6. HQS Enforcement | 10 | 0 | 0 | 0 |
| 7. Expanding Housing Opportunities | 5 | 5 | 5 | 0 |
| 8. Payment Standards | 5 | 5 | 5 | 5 |
| 9. Annual Reexaminations * | 10 | 10 | 10 | 0 |
| 10. Correct Tenant Rent Calculations * | 5 | 5 | 5 | 5 |
| 11. Pre-Contract HQS Inspections * | 5 | 5 | 5 | 0 |
| 12. Annual HQS Inspections * | 10 | 10 | 10 | 10 |
| 13. Lease-Up | 20 | 0 | 0 | 0 |
| 14. Family Self-Sufficiency * | 10 | 5 | 5 | 5 |
| 15. Deconcentration Bonus ** | N/A | N/A | N/A | N/A |
| Total | 145 | 90 | 90 | 70 |
| Percent | | 62 | 62 | 48 |

Note* - These indicators rely on the PIC/MTCS system.

Note** - The Deconcentration Bonus is worth a maximum of five points, but only if the PHA certifies to this indicator. If the PHA is not required to certify to this indicator, and elects not to do so, it does not lower the overall score.

It should be noted that 70 out of a possible 145 points is equivalent to 48 percent, which results in a **Troubled designation**. PHAs with troubled performance ratings are required to submit a Corrective Action Plan (CAP) to correct deficiencies as defined in 24 CFR 985.107 that include strategies and goals for achieving improved management performance.

The corrective action plan must:

(1) Specify goals to be achieved;
(2) Identify obstacles to goal achievement and ways to eliminate or avoid them;
(3) Identify resources that will be used or sought to achieve goals;
(4) Identify a PHA staff person with lead responsibility for completing each goal;
(5) Identify key tasks to reach each goal;
(6) Specify time frames for achievement of each goal, including intermediate time frames to complete each key task; and
(7) Provide for regular evaluation of progress toward improvement.
(8) Be signed by the PHA Board of Commissioners Chairperson and by the PHA Executive Director.

We have enclosed a sample CAP format for your review and guidance in developing a CAP for your agency's SEMAP deficiencies (indicator rating of zero). The HACoLA will have 45 calendar days from the date of HUD notice to send a written report to HUD describing its correction of any identified SEMAP deficiency.

The courteous and professional manner that was extended to the Review Team by the HACoLA staff is greatly appreciated. If you have any questions regarding the information contained in the report or require clarification of any issues, please contact Ms. Carolyn Cain, Team Lead at (216) 522-4300, extension 7938.

Sincerely,

Patricia A. Knight
Director

Enclosure

Cc: Yvonne B. Burke, Chairperson, Board of Commissioners
K. J. Brockington, Director, Office of Public Housing, Los Angeles Field Office

# Housing Authority County of Los Angeles
## Los Angeles, California
## CA002

# Section 8 Management Assessment Program (SEMAP) Certification And Assessment
## FYE 6/30/2007



Conducted June/July, 2008

# Table of Contents

# INTRODUCTION

The Housing Authority County of Los Angeles (HACoLA) administers a Section 8 program of 20,876 units. There are currently 20,042 families under contract. HACoLA's unconfirmed Section 8 Management Assessment Program (SEMAP) score for the fiscal year ended 6/30/2007 was 90 out of a possible 145 points, or 62%. Based on that score, HACoLA was designated as a SEMAP Standard Performer.

HUD's Office of Inspector General (OIG) recently issued an Audit Report (2008-LA-1007) regarding the operation of the Housing Authority County of Los Angeles's Housing Choice Voucher (HCV) Program.

An on-site review was conducted during the weeks of June 16-20 and July 28- August 1, 2008, at the request of the Acting Assistant Secretary for Public and Indian Housing, and the Director, Office of Public Housing, Los Angeles Field Office. The purpose of the review was to confirm HACoLA's 6/30/2007 SEMAP Certification and to assess the Authority's overall program management. A team from the Recovery and Prevention Corps conducted the Review.

In addition to confirming the SEMAP Certification for the fiscal year ended June 30, 2007, the review team evaluated HACoLA's operation of the Section 8 HCV program in a number of areas: governance, organization and staffing, administrative plan, procurement, inspections, management information systems, general program management and financial controls.

# SEMAP SCORING

SEMAP is designed to assess whether the PHA's Section 8 tenant-based assistance programs operate effectively and in accordance with program guidance. Under SEMAP, HUD measures PHA performance in 15 key indicators. PHAs self-certify as to their performance on these indicators by submitting the annual SEMAP Certification. Information from HUD's Multi-Family Tenant Characteristics Systems (PIC/MTCS) database is used to score indicators 9, 10, 11, 14 and 15.

A SEMAP Certification Review only covers the first eight indicators, as applicable, since the other indicators are verified by other means, e.g. the Financial Management Center (FMC) for the leasing indicator and the Public and Indian Housing Information Center (PIC) for the remaining indicators. The SEMAP Scoring table on pages 21 and 22 shows the indicator scores based on the 6/30/2007 SEMAP Certification submitted by the HACoLA, the unconfirmed scores issued by the Field Office, and the confirmed scores based on this review.

In addition, the SEMAP Scoring table lists the applicable SEMAP indicator scores extracted from the PIC/MTCS database.

The current Director of the Section 8 program was out on medical leave for a time during the review period, however, the Assistant Section 8 Program Manager, who served as Acting Section 8 Director during this time, was very knowledgeable and capable in explaining the HACoLA's procedures and submission of SEMAP certification data for the agency's Section 8 program. She and her staff provided resource materials and assistance to the review team as needed.

We note the HACoLA Section 8 staff was in the process of converting their existing computer system to the Yardi Voyager computer software program. Most of the Section 8 staff were being trained on the systems new applications. With the implementation of the new software, the HACoLA anticipates a more improved advanced system with features and capabilities that will enhance the Section 8 program operation from A-Z. We cautioned the HACoLA staff not to disable the current system at this time until the new system is fully operational and functional and any glitches in the system have been corrected.

## FINANCIAL OBSERVATIONS

HACoLA has a substantial reserve of HAP funds in interest-bearing accounts. The HA provided a breakout of these funds for the Section 8 voucher program for 2005, 2006, and 2007; as of April 30, 2008 the balance was $45,173,644. A substantial amount of this balance is anticipated to be used for: 1) a HUD Recapture of Excess Reserves (or offset) $10,448,215 and 2) Fiscal year 2008 HAP expenses over income from January – June 2008 of $9,567,881, as HACoLA attempts to bring its annual voucher funding utilization rate up to 100%, by temporary over utilization to generate an acceptable annual utilization percentage rate.

HACoLA reported a pre 2003 administrative fee surplus of $3,619,762 as of May 15, 2008.

Recommendations:
➢ Interest on HAP reserves should be used for:

- ◆ costs related to increasing utilization,
- ◆ staff training,
- ◆ printing up-dated briefing materials
- ◆ contract for assistance in catching up on late re-exams or correcting errors in processing.

# PART I: SECTION 8 MANAGEMENT ASSESSMENT PROGRAM (SEMAP) CERTIFICATION REVIEW

The Section 8 Management Assessment Program (SEMAP) is designed to assess whether the Housing Choice Voucher (HCV) Programs operate to help eligible families afford decent rental property units at the correct subsidy costs. SEMAP also establishes an objective system for HUD to measure Housing Authority performance in key HCV program areas to ensure program integrity and accountability. SEMAP provides procedures for HUD to identify Housing Authority management capabilities and deficiencies in order to target monitoring and program assistance more effectively.

HUD conducts a SEMAP Confirmatory review to verify the Housing Authority's certification and HUD rating under the SEMAP indicators. The review also assesses the Authority's program management and compliance with program requirements.

HUD reviews the Housing Authority's quality control sample of files or records maintained by the Authority to determine if the work documented in the files or records conforms to program requirements. HUD also reviews data submitted to PIC/MTCS and the Authority's SEMAP Certification. The SEMAP confirmatory review also involves interviews and discussions with Housing Authority management and staff regarding all aspects of the HCVP.

The results of the confirmatory review of the SEMAP Certification for the year ended June 30, 2007, follow:

## INDICATOR 1, SELECTION FROM THE WAITING LIST

Performance Standard for Acceptable Rating in this Indicator:

The Housing Authority has written waiting list policies and based on a random sample of the Housing Authority's applicants and admissions; families were selected in accordance with the Administrative Plan.

To receive the 15 points for this indicator, the Housing Authority must have written waiting list selection policies and based on a random sample of applicants and admissions, 98 percent of families in the Housing Authority's quality control sample were selected from the waiting list in accordance with the Administrative Plan and met the selection criteria that determined their place on the waiting list and their order of selection. The Housing Authority will receive zero (0) points if the above criteria were not met.

FY 2007 Performance

The HACoLA has written waiting list policies and based on a random sample of the Housing Authority's applicants and admissions; families were selected in accordance with the Administrative Plan.

HACoLA conducted quality control samples of its waiting list for those reaching the top of the waiting list and for those that were selected from the waiting list. The HACoLA's quality control sample documentation contained a written statement describing how a sample would be selected, and how it would be random.

The HACoLA provided the team with additional documentation that identified its methodology for selecting which files to review in the quality control sample. A copy of the quality control sample and random selection methodology were provided in excel spreadsheet format. In addition, the HACoLA provided the review team with a computer disk of the entire waiting list for the period 7/1/2006 – 6/30/2007. We were able to access this information while on-site to confirm the selection methodology used by the HACoLA from the quality control samples.

The number in the quality control sample of applicants that reached the top of the waiting list was 32. The number of quality control sample of families admitted to the program was 32. The total number in both sample size was 64. Therefore 100% in the sample size were selected and admitted to the program in accordance with the HACoLA's policies.

We note that Ms. Aikens informed us that they experienced a computer problem with registrants on the waiting list that updated their records via internet, phone, or mail. At the time, an update to the records occurred; the time of registration was deleted from the system. To insure that no applicant was skipped over another applicant who may have registered seconds, minutes, or hours earlier, HACoLA mailed applications to all registrants who registered on that particular day no matter what time.

The authority's score for this indicator is fifteen (15) points.

## INDICATOR 2, RENT REASONABLENESS

Performance Standard for Acceptable Rating in this Indicator:

This indicator shows whether the PHA has and implements a reasonable written method to determine and document for each unit leased that the rent to owner is reasonable based on current rents for comparable unassisted units: at the time of initial leasing; if there is any increase in the rent to owner; and at the HAP contract anniversary if there is a 5 percent decrease in the published fair market rent (FMR) in effect 60 days before the HAP contract anniversary. The PHA's method must take into consideration the location, size, type, quality and age of the units, and the amenities, housing services, and maintenance and utilities provided by the owners in determining comparability and the reasonable rent. (24 CFR 982.4, 24 CFR 982.54(d)(15), 982.158(f)(7) and 982.507).

To receive the **20 points** for this indicator, the Housing Authority must have a written rent reasonable method it follows to determine reasonable rent and based on the Housing Authority's quality control sample of tenant files, the PHA follows its written method to determine reasonable rent and has documented its determination for **at least 98 percent of units in the sample** at time of initial leasing, if there is any increase in the rent to owner, and if there is a five percent decrease in the published FMR in effect 60 days before the HAP contract anniversary date.

To receive the **15 points** for this indicator, the Housing Authority must have a written rent reasonable method it follows to determine reasonable rent and based on a random sample of tenant files, the PHA follows its written method to determine reasonable rent and has documented its determination **for 80 to 97 percent of units in the sample** at time of initial leasing, if there is any increase in the rent to owner, and if there is a five percent decrease in the published FMR in effect 60 days before the HAP contract anniversary date.

The Housing Authority will receive **0 points** if the above criteria were not met.

FY 2007 Performance

The HACoLA Administrative Plan governing this review period states that Rent Reasonableness determinations are made when units are placed under HAP contract for the first time and when an owner requests a rent increase. This language should be expanded to include, "and at the HAP contract anniversary if there is a 5 percent decrease in the published fair market rent (FMR) in effect 60 days before the HAP contract anniversary." All of these requirements were followed in the Quality Control sample that was reviewed, even if it was not specifically stated in the Administrative Plan.

HACoLA contracted with RENTELLECT to create a Rent Reasonableness database. A copy of the HACoLA contract with RENTELLECT was reviewed to document the data base methodology. This database is updated year round as new rental information becomes available to this Internet based system. The active data is limited to the most recent 12 months. Algorithms are calibrated against only the most recent quarter. The Administrative Plan states that Payment Standards will be updated at least annually.

The minimum size of the universe for the Certification Quality Control was calculated at 110 units/files. The QC size contained 135 units/files. The Sample Quality Control universe used an acceptable random methodology for the selection of files for testing. Of the 135 files in the QC sample, 64 files required a Rent Reasonableness review according to HUD requirements, and all of the 64 files were made electronically available for review. The methodology calculating Rent Reasonableness was found consistent and adequately documented. On-going QC review of Rent Reasonableness calculations for new contracts and Re-examinations are completed daily at a QC universe of 5% in general and 100% for new staff work.

Tenant files from the QC universe were reviewed to determine if the correct Rent Reasonableness rents that were calculated electronically were applied to the tenant's files and tenant rent and subsidy calculations. This was confirmed.

Two files out of the 135 files for Rent Reasonableness were in error, representing an accuracy rate of 98.5%. HACoLA correctly certified to and earned 20 points for this indicator.


## INDICATOR 3, CALCULATION OF ADJUSTED INCOME

Performance Standard for Acceptable Rating in this Indicator:

The Housing Authority, at the time of admission and annual reexamination, verifies and correctly determines adjusted annual income for assisted family and, where the family is responsible for utilities under the lease, the Housing Authority uses the appropriate utility allowance for the unit leased in determining the gross rent.

To receive the **20 points** for this indicator, the Housing Authority's quality control review of tenant files indicates that for at least **90 percent** of families the following statements are true:

- The Housing Authority obtains third party, written verification from independent sources of all factors affecting the determination of adjusted income, including family income, assets totaling more than $5,000 and expenses related to income and deductions. The Housing Authority uses the verified information to determine adjusted income or documents the tenant files to indicate why independent verification is not possible,

- The Housing Authority attributes and calculates allowances for any medical, child care, and disability assistance expenses, and

- The Housing Authority uses the appropriate utility allowances to determine gross rent for the unit leased.

To receive the **15 points** for this indicator, the Housing Authority's quality control review of tenant files indicates that for **80 to 89 percent** of families the above statements are true.

The Housing Authority will receive **0 points** if the quality control review of tenant files does not support these three statements.

- The Housing Authority obtains third party, written verification from independent sources of all factors affecting the determination of adjusted income, including family income, assets totaling more than $5,000 and expenses related to income and deductions. The Housing Authority uses the verified information to determine adjusted income or documents the tenant files to indicate why independent verification is not possible,

- The Housing Authority attributes and calculates allowances for any medical, child care, and disability assistance expenses, and

- The Housing Authority uses the appropriate utility allowances to determine gross rent for the unit leased.

FY 2007 Performance

HACoLA provided the review team with a written statement describing how a sample would be selected, and how it would be random. The HACoLA's quality control sample was determined where the universe is over 2000, the minimum number of files to be reviewed is 30 plus 1 for each 200 or part of 200 over 2000. When the universe is over 2000, subtract 2000 from the universe number and divide the remaining amount by 200. Add this number to 30 to determine the correct sample size.

Ex. Universe = 18,200

Sample Size = 18,200-2000 = 16,200

16,200/200 = 81

30 + 81 = 111 files reviewed

Previously, the quality control files were selected by obtaining a list of all assisted families and following the above equation. Once the number of files to be reviewed was determined, then the number of assisted families was divided by the number of files to be reviewed to determine which file was selected (ex. 18,200/111 = 163.96. Every 163$^{rd}$ file was selected for the HACoLA audit.

HACoLA provided the review team with its audited spreadsheet of 135 files. 51 files contained the proper determination of adjusted income and appropriate utility allowances. There were 84 errors identified as follows:

| | |
|---|---|
| 1. Lack of Third-Party Verification | 39 |
| 2. Incorrect determination of adjusted income | 36 |
| 3. Improper allowances | 8 |
| 4. No Utility Allowance Schedules | 45 |
| Grand Total Errors: | **84** |
| The percentage of correct files | **38%** |

Further, the review team randomly selected 15 new admissions files and tested the quality of the file documentation. We note that some improvement has been made in properly documenting the determination of adjusted income, however 2 files were still missing the utility allowance schedule, and the HUD 50058, Family Report form.

Based on the information provided by the HACoLA, the authority did not meet the criteria for this indicator. The authority's score for this indicator is zero (0) points.

**Recommendations:**

1. Schedule Section 8 refresher training on determining adjusted income, with emphasis on third-party verifications, assets and income, and utility allowance calculations.

2. Develop a file checklist to ensure all required program documents are signed, dated and received by HACoLA from the participant and/or third-party entity. Include a signature line for program specialists, supervisor and the quality control person. Insert the checklist in the file as part of the file's documentation.

3. To ensure program consistency and improve staff knowledge of program administration, implement regular training sessions with program specialists to discuss recent HUD program changes, and how the HACoLA will implement those changes.

4. Take steps to implement an effective quality control program to include regular review of a sample of participant files processed by the program specialists, focusing on those items that impact SEMAP indicators, and program compliance.

## INDICATOR 4, UTILITY ALLOWANCE SCHEDULE

Performance Standard for Acceptable Rating in this Indicator:

This indicator assesses whether the PHA maintains an up-to-date utility allowance schedule in accordance with 24 CFR 982.517.

The possible scores for this indicator are 5 and 0. In order to receive 5 points, the PHA must have:

(1) reviewed utility rate data that it obtained within the last twelve months, and

(2) adjusted its allowance schedule if there was a change of 10% or more since the last time the utility allowance schedule was revised.

If the PHA has not done this it receives 0 points. (24 CFR 985.3(d)(3)).

Initial Score

HACOLA indicated on its SEMAP certification that it did this, thus it initially received a score of 5 points.

Confirmation

(1) Recentness of the Latest Review

We found the utility allowance review package. It included an analysis of rate data obtained from Southern California Edison, Southern California Gas, the L.A. Dept of Water and Power, and the L.A. Dept of Trash Collection. These rate schedules were all dated in February and March 2007. The requirement that the rate data be obtained within the last twelve months is equivalent to saying that it must be obtained within the fiscal year being assessed. February and March 2007 both fall within Fiscal Year 2007, which is the period from 7/1/06 to 6/30/07. This meets the first requirement.

(2) Adjustment being made

We found the current utility allowance schedule, form HUD-52667, dated June 2007. It supersedes the preceding version, which was dated June 2006. It consists of four pages, one for each of the following regions: (1) Central, (2) Coastal, (3) Valley, (4) North. Comparing the two versions, the current version has numbers which are in most cases, larger than those in the preceding version. The analysis of rates doesn't state in percentage terms how much those rates had changed. Nevertheless, using the new rates, the allowance schedule was adjusted to create the June 2007 version. Because the schedule was adjusted, it is not necessary to demonstrate whether the rate changes were 10% or not. This meets the second requirement.

(3) Summary

Therefore, meeting both requirements, the confirmed score is 5 points.


## INDICATOR 5, HQS QUALITY CONTROL INSPECTIONS
Performance Standard for Acceptable Rating in this Indicator:

This indicator assesses whether the PHA conducts supervisory quality control HQS inspections in accordance with 24 CFR 982.405(b).

The possible scores for this indicator are 5 and 0. In order to receive 5 points,
(1) The PHA must have had a qualified person re-inspect a sample of units during the fiscal year.
(2) The sample must have met the minimum sample size required by HUD in 24 CFR 985.2.
(3) The sample must have been drawn from recently completed inspections and
(4) Must represent a cross section of neighborhoods and
(5) The work of a cross section of inspectors.

If the PHA has not done this it receives 0 points. (24 CFR 985.3(e)(3)).

Initial Score

HACOLA indicated on its SEMAP certification that it did this, thus it initially received a score of 5 points.

Confirmation

(1) Qualified person re-inspects during the fiscal year.
To confirm this indicator, we examined the log of quality control inspections. It showed the QC inspections were done by employees named Calvin, McKie, Kalinowski, and Hill. Having been trained for this work, we believe these were qualified persons.
The QC inspections were done from 12/7/06 to 6/21/07. This range falls within Fiscal Year 2007, which is the period from 7/1/06 to 6/30/07. This meets the first requirement.

(2) Sample size
One of the SEMAP binder introductory pages shows the universe and sample sizes for the various indicators. The universe for this indicator is 18,146, which is the number of occupied units on 6/1/06. That date was in anticipation of the beginning of Fiscal Year 2007, which is the period from 7/1/06 to 6/30/07. The SEMAP

sample size requirement for a universe of 18,146 is 111. The log shows 136 QC inspections performed. And 136 exceed 111. This meets the second requirement.

(3) Recently completed inspections.
The log was organized into 25 pages, with each page listing the QC inspections and the original inspections being QC'd. The dates for the original inspection and of the QC inspection are shown. Scanning through the log, we observed the QC date followed the original date by intervals ranging from under one month to almost four months. Thus, the sample was drawn from recently completed inspections. This meets the third requirement.

(4) Neighborhoods
The log showed units in the following cities: Bellflower, Lancaster, Palmdale, Lynwood, Signal Hill, Rowland Heights, West Hollywood, Whittier, Downey, Gardena, West Covina, Paramount, El Segundo, Los Angeles, and La Mirada. Thus the sample represents a cross section of neighborhoods. This meets the fourth requirement.

(5) Inspectors
The log showed the original inspections were done by employees named Carlin, Simmons, Maughan, Willis, Luna, So, Kent, Cazenave, Salmons, Rembert, Hernandez, Vernetti, Marshall, Wright, Coleman, and Matsuki. Thus the sample represents the work of a cross section of inspectors. This meets the fifth requirement.

(6) Summary
In the Indicator 5 folder, along with the log, there was a disk containing a scanned image of all the QC inspection forms. We examined the disk on Ms. Calvin's computer. All those we checked matched the data in the log.

Meeting all five requirements, the confirmed score is 5 points.


## INDICATOR 6, HQS ENFORCEMENT

Performance Standard for Acceptable Rating in this Indicator:

This indicator assesses whether the PHA enforces the owner's obligation to maintain the dwelling unit in accordance with HQS. (24 CFR 982.404).

The possible scores for this indicator are 10 and 0. In order to receive 10 points, at least 98% of a sample of case files with failed HQS inspections must show that:
> (a) any life-threatening HQS deficiencies were corrected within 24 hours and all other HQS deficiencies were corrected within thirty days or within any PHA-approved extension; or
> (b) the PHA stopped housing assistance payments beginning no later than the first of the month following the correction period, or took action to enforce the family obligations.

If less than 98% of the sample shows this, the PHA receives 0 points. (24 CFR 985.3(f)(3)).

Initial Score

HACOLA indicated on its SEMAP certification that less than 98% of the cases sampled showed this, thus it initially received a score of 0 points.

Confirmation

To confirm this indicator, we first verified that sampling was done. The sampling page showed that the universe for this indicator is 5835, which is the number of failed inspections in Fiscal Year 2007, which is the period from 7/1/06 to 6/30/07. The sample size chosen was 50. We examined the quality control review of failed inspections. This consisted of a log documenting the enforcement review of those 50 failed inspections.

Next we looked at the results of that QC review. The dates of the 50 failed inspections ranged from 7/11/06 to 6/28/07. These all fall within Fiscal Year 2007, which is the period from 7/1/06 to 6/30/07. The log shows that 46 of them comply with the 24 hour, 30 day, or abatement requirement. But 4 of them were not properly enforced, as follows:

| | |
|---|---|
| Exceeded 30 days and not abated | 3 |
| Exceeded 24 hours | 1 |
| Total | 4 |

The 46 out of 50 equals 92% of the sample where enforcement actions were properly taken in accordance with the certification language above. And 92% is less than 98%, so the confirmed score is 0 points.

**Recommendation:**

Improve the procedure for timely follow up of failed HQS inspections. All the right enforcement procedures are presently in place. The untimely ones are due to breakdowns in scheduling. More closely monitoring which ones are nearing the deadlines will improve the percentage of timely enforcements.

## INDICATOR 7, EXPANDING HOUSING OPPORTUNITIES
Performance Standard for Acceptable Rating in this Indicator:

This indicator applies only to Housing Authorities with jurisdiction in Metropolitan FMR areas. The Housing Authority has adopted and implemented a written policy to encourage participation by owners of units located outside areas of poverty or minority concentration; informs rental voucher holders of the full range of areas where they may lease units both inside and outside the Housing Authority's jurisdiction; and supplies a list of landlords or other parties willing to lease units or help families find units, including units outside areas of poverty or minority concentration.

To receive the **5 points** for this indicator, the following six statements must be true:

1. The Housing Authority has a written policy in its Administrative Plan that includes actions it will take to encourage participation by owners of units outside areas of poverty or minority concentration and identifies areas in its jurisdiction that it considers poverty or minority concentration areas;

2. The Housing Authority documentation shows that it has taken actions indicated in its written policy to encourage participation by owners of units located outside areas of poverty or minority concentration;

3. The Housing Authority has prepared maps that show locations of housing opportunities outside areas of poverty or minority concentration both within its jurisdiction and neighboring its jurisdiction; the Housing Authority's information packet for Housing Choice Voucher Holders contains either a list of

owners who are willing to lease (or properties available for lease) under the Housing Choice Voucher Program or a current list of other organizations that will help families find units. The Housing Authority must demonstrate that the list includes properties and/or organizations that operate outside areas of poverty or minority concentration;

4. The Housing Authority's information packet includes an explanation of how portability works and a list of portability contact persons for neighboring Housing Authorities, with the name, address, and telephone number of each, for use by families who move under portability; and

5. The Housing Authority documentation shows that the Housing Authority has analyzed whether Housing Choice Voucher holders have experienced difficulties in finding housing outside areas of poverty and minority concentration. If such difficulties have been found, Housing Authority documentation show that the Housing Authority analyzed whether it is appropriate to increase its payment standard within the basic range of 90 to 110 percent of the FMR or to seek HUD approval of area exception payment standards in any part of its jurisdiction. The Housing Authority must also demonstrate that it has sought HUD approval of exception payment standards when necessary.

The Housing Authority will receive **0 points** if there is not data to support all of the six statements.

FY 2007 Performance

In order for the HACoLA to receive all 5 points for this indicator they had to meet all six statements. Statement number 4 stated: "The Housing Authority's information packet for Housing Choice Voucher Holders contains either a list of owners who are willing to lease (or properties available for lease) under the Housing Choice Voucher Program or a current list of other organizations that will help families find units. The Housing Authority must demonstrate that the list includes properties and/or organizations that operate outside areas of poverty or minority concentration.

HACoLA's information packet did contain a list of owners who were willing to lease under the Housing Choice Voucher Program, however, the HA did not demonstrate that the list included properties and/or organizations that operate outside areas of poverty or minority concentration.

The authority certified to 5 points for this indicator. Based on the above information, the score for this indicator will be changed to zero (0) points.

Projection

HACoLA should demonstrate in the list of properties that they have included properties and/or organizations that operate outside areas of poverty or minority consideration. The HA should continue maintaining a file to include all supporting documentation.


**Recommendations:**

1. The Administrative Plan discusses promoting housing opportunities, but does not define the areas that are considered to be impacted by poverty or minority concentration. Revise the administrative plan to incorporate the areas that are considered to be impacted by poverty or minority concentration.

2. Ensure an analysis of voucher holders' success rate in finding housing outside of non-impacted areas, and whether it is appropriate to seek HUD approval of an exception payment standard amount, is thoroughly documented for SEMAP purposes.

## INDICATOR 8, PAYMENT STANDARDS

Performance Standard for Acceptable Rating in this Indicator:

The Housing Authority's payment schedule contains payment standards that do not exceed 110 percent of the current applicable published FMRs and that are not less than 90 percent of the current applicable published FMR (unless a higher or lower payment standard was approved by HUD).

To receive the **5 points** for this indicator, The Housing Authority's voucher payment standard schedule contains payment standards that do not exceed 110 percent of the current applicable published FMRs and that are not less than 90 percent of the current applicable published FMRs (unless a higher or lower payment standard amount is approved by HUD). The Housing Authority will receive 0 points if the payment standard schedule contains payment standards that exceed 110 percent of the current applicable published FMRs or that are less than 90 percent of the current applicable FMRs (unless a higher or lower payment standard amount is approved by HUD).

FY 2007 Performance

The material shown to HUD staff by HACoLA staff confirms that they have and use the correct payments standards.

The authority's score for this indicator remains 5 points.


## INDICATOR 9, ANNUAL RE-EXAMINATIONS

Performance Standard for Acceptable Rating in this Indicator:

The Housing Authority completes reexaminations for each participating family at least every 12 months. The MTCS report shows percent of reexaminations that are over 2 months old. The 2-month allowance is provided only to accommodate a possible lag in the Housing Authority's electronic reporting of the annual reexamination on Form HUD-50058 and to allow the processing of data into PIC/MTCS.

To receive the **10 points** for this indicator, fewer than 5 percent of the Housing Authority's reexaminations are more than 2 months overdue. The Housing Authority will receive **5 points** if 5 to 10 percent of all reexaminations are more than 2 months overdue. The Housing Authority will receive **0 points** if more than 10 percent of all reexaminations are more than 2 months overdue. It should be noted that in scoring this indicator, PIC considers only a snapshot of the data as of the end of the fiscal year, not how many reexaminations were performed late throughout the year.


FY 2007 Performance

This indicator is not self-certified. Based on the data in PIC/MTCS as of 6/30/2007, 1% of all reexaminations were more than 2 months overdue, resulting in a score of 5 points for this indicator. According to HACoLA's Administration Plan, the eligibility status of each participant is re-examined on an annual basis, however, based on the information provided and our sample file review, this is not the case.

The team reviewed 25 files and a list of all reexaminations showing anniversary dates, current certification and last recertification date.


HACoLA did not complete the reexamination process within the 12 month period as certified. Approximately 90% of all files reviewed indicated that the anniversary dates had been changed. HACoLA is not consistent in

completing their reexaminations and the anniversary dates appear to be changed whenever the HA completes the reexamination.

A recent HUD OIG Audit Report (2008-LA-1007) found that HACoLA did not properly perform annual reexaminations and changed the effective dates of some reexaminations in an effort to give the appearance that the reexamination was performed on time. While there are some circumstances where a retroactive effective date is appropriate (e.g. to correct a PHA error), this should not be a general practice. As noted above, since PIC considers only the year-end snapshot of data when scoring the indicator, backdating or changing the effective date has little or no impact on the score.

Projection

Some of these late reexaminations may have actually been PIC reporting errors caused by HACoLA's outdated computer system. The HACoLA has recently switched to the Yardi computer software system which it hopes will resolve the problem and allow program specialists to enter data in PIC/MTCS instead of assigning this task to one person.

In order to ensure reexaminations are performed according to HUD guidelines, HACoLA should establish a policy regarding annual reexamination effective dates that ensures reexaminations for every family takes effect within a 12-month period. HACoLA should be consistent in completing all reexaminations in a timely manner to ensure data is properly coded and entered into the PIC/MTCS database. HACoLA should also insure that when inputting information in the 50058s that they are using the correct codes.

The HACoLA score will change to zero (0) points for this indicator.

**Recommendation:**

1. Use the delinquent annual reexaminations report to PIC as a management tool to identify late reexaminations or PIC reporting problems. Establish an action plan with clear target dates to correct any PIC reporting errors.

2. Ensure program specialists understand when backdating or changing reexamination effective dates is appropriate, and establish quality control procedures to monitor this.

3. The HACoLA must establish a policy regarding annual reexamination effective dates that ensures that reexamination for every family takes effect within a 12-month period.

4. Establish tracking and monitoring procedures and systems to ensure that the required reexamination for each assisted family are initiated and completed on time.


INDICATOR 10, RENT CALCULATION

Performance Standard for Acceptable Rating in this Indicator:

The Housing Authority correctly calculates family rent to owner in the rental voucher program. The MTCS report, Tenant Rent Calculation Discrepancy Report, shows the percent of the family's share of the rent-to-owner calculations that are incorrect, based on data sent to HUD by the Housing Authority on form HUD-50058.

To receive the 5 points for this indicator, 2 percent or fewer of family's share of the rent to owner calculations are incorrect. The Housing Authority will receive 0 points if more than 2 percent of family's share of the rent-to-owner calculations is incorrect.

FY 2007 Performance

This indicator is not self-certified.

A small sample of tenant files were reviewed by the HUD team for assurance that the rent calculations were performed correctly; all files reviewed appeared to have the correct tenant rent calculation. The score remains 5 points.


## INDICATOR 11, PRECONTRACT HQS INSPECTIONS

Performance Standard for Acceptable Rating in this Indicator:

This indicator assesses whether newly leased units pass HQS inspection before the beginning date of the assisted lease and HAP contract in accordance with 24 CFR 982.305.

It is scored by data from the PIC 50058 database as recorded in the MTCS Extract. The possible scores are 5 and 0. The score is based on the percent of units passing HQS inspection before the beginning date of the assisted lease and HAP contract, hereafter called Precontract Rate, as follows: If the Precontract Rate is 98% or higher, the score is 5 points. If the Precontract Rate is less than 98%, the score is 0 points. (24 CFR 985.3(l)(3))

Initial Score

The MTCS Extract shows the Precontract Rate is 100%. This is 98% or higher, so the score is 5 points.

Confirmation

Confirming this indicator consists of validating the data input into the PIC 50058 database by examining a sample of tenant files, and verifying that, in the cases sampled, the correct data was input. The team selected 15 new admission files. The following table documents our review.

| Precontract HQS Inspections | | | | |
|---|---|---|---|---|
| A | B | C | D | E |
| Number | Name | Passed Inspection | Start of Lease | Timely? |
| 1 | #19108 Moutry | 7/3/06 | 7/3/06 | Yes |
| 2 | #19543 Leon | 9/27/06 | 10/1/06 | Yes |
| 3 | #19817 Newson | 11/8/06 | 11/8/06 | Yes |
| 4 | #20024 Matsuhsa | 12/8/06 | 12/8/06 | Yes |
| 5 | #20228 Lee | 1/5/07 | 1/5/07 | Yes |
| 6 | #20443 Miranda | 1/30/07 | 1/30/07 | Yes |
| 7 | #20629 Castro | 3/12/07 | 2/13/07 | No |
| 8 | #20795 Perkins | 4/3/07 | 3/1/07 | No |
| 9 | #20893 Andrews | 3/13/07 | 3/13/07 | Yes |
| 10 | #20931 Rosa | 4/6/07 | 3/16/07 | No |
| 11 | #20990 Reed | 3/12/07 | 3/26/07 | Yes |
| 12 | #21018 Olivas | 5/18/07 | 3/30/07 | No |
| 13 | #21159 Machado | 3/19/07 | 5/10/07 | Yes |
| 14 | #2586 Sun | 5/17/07 | 5/17/07 | Yes |
| 15 | Terceros | 12/7/06 | 12/7/06 | Yes |

Column C: *Passed Inspection* is the date on which an outcome of "Pass" was achieved, as opposed to "Fail," or "Inconclusive." For the definitions of these three possible outcomes, see the HQS Form, HUD-52580-A, page 1 of 20. Some units pass on the first visit; others require a follow up inspection or repair verification. Normally the passing date will be the last visit, unless the passing was verified by an owner's phoned certification. The date recorded here in this table is that found on the inspection form in the tenant file. This is the date that should be entered in field 5h of the current 50058.

Column D: *Start of Lease.* The date recorded here in this table is that found on the first page of the HAP Contract in the tenant file. This is the date that should be entered in field 2b of the current 50058.

Column E: *Timely* means that D is on or after C, as opposed to before it. Entered here by visual inspection of the dates in the table, which come from the file documents. The PIC system registers timeliness similarly, but uses the entire universe, and the fields 5h and 2b in the current 50058.

From the above table, 11 out of 15 are timely, which equals 73%. This result by itself does not refute the 100% lateness established by PIC, which is rounded to the nearest one percent. But it gives us four to look at further to ensure that the proper data was input into the 50058s.

#20629 Castro: The current 50058 is dated 2/24/07. Field 5h should be 3/12/07, but was entered as 2/12/07. Field 2b should be 2/13/07, and was properly entered. So the lateness of the passing date was not registered in PIC.

#20795 Perkins: The current 50058 is dated 3/17/07. Field 5h should be 4/3/07, but was entered as 2/27/07. Field 2b should be 3/1/07, and was properly entered. So the lateness of the passing date was not registered in PIC.

#20931 Rosa: The current 50058 is dated 4/25/07. Field 5h should be 4/6/07, but was entered as 3/16/07. Field 2b should be 3/16/07, and was properly entered. So the lateness of the passing date was not registered in PIC.

#21018 Olivas: The current 50058 is dated 4/5/07. Field 5h should be 5/18/07, but was entered as 3/30/07. Field 2b should be 3/30/07, and was properly entered. So the lateness of the passing date was not registered in PIC.

In all four cases, the lateness was not registered as such in PIC. Therefore we consider the PIC data to be unreliable for this indicator. The 100% Precontract Rate is invalidated. We will deem the Precontract Rate to be 73%, as determined by our sample. And this is less than 98%, so the confirmed score is 0 points.


Comment

The status of Pass would have been achieved by the verification method of Tenant Certification. This is an allowed verification method; in accordance with the HUD website, SEMAP page under this topic, Learn More, Question raised....The date we used for Column C was that of a follow-up inspection. That follow-up inspection was not required because the verification had already been obtained. It was done for added diligence. Our use of this date unfairly penalizes the PHA for having performed this follow-up inspection.

We acknowledge this condition, and agree that the PHA should not be so penalized. However, the Manager of the Assisted Housing Division failed to provide any documentation in the file that the phoned in verification

had ever occurred. The only place that date was found was in a supervisor's check sheet stating the date passed. This is the same sheet that normally gets its data from the inspection form itself. It is not a form for initial entry of information. So if a phoned in verification occurred, there would need to be something documenting that. Failing that, the only raw data we could find in the file registering the passing condition was that follow-up inspection. So that's what we used. We believe this situation has since been corrected, and will show compliance in the subsequent year's SEMAP certification.

## INDICATOR 12, ANNUAL HQS INSPECTIONS
Performance Standard for Acceptable Rating in this Indicator:

This indicator assesses whether the PHA inspects each unit under contract at least annually in accordance with 24 CFR 982.405(a).

It is scored by data from the PIC 50058 database as recorded in the MTCS Extract. The possible scores are 10, 5, and 0. The score is based on the percent of late annual inspections, hereafter called Lateness Rate, as follows: If the Lateness Rate is less than 5%, the score is 10 points. If the Lateness Rate is 5% to 10%, the score is 5 points. If the Lateness Rate is more than 10%, the score is 0 points. (24 CFR 985.3(m)(3))

Initial Score

The MTCS Extract shows the Lateness Rate is 2%. This is less than 5%, so the score is 10 points.

Confirmation

Confirming this indicator consists of validating the data input into the PIC 50058 database by examining a sample of tenant files, and verifying that, in the cases sampled, the correct data was input. The team selected 15 reexam files. The following table documents our review.

| Annual HQS Inspections | | | | |
|---|---|---|---|---|
| A | B | C | D | E |
| Number | Name | This Inspection | Preceding Inspection | Late? |
| 1 | #50 Martz | 2/2/07 | 4/14/06 | No |
| 2 | #100 Soto | 4/13/07 | 5/24/06 | No |
| 3 | #800 Adams | 12/18/06 | 2/27/06 | No |
| 4 | #1010 Postolov | 6/13/07 | 7/31/06 | No |
| 5 | #1366 Krapiva | 8/9/06 | 8/24/05 | No |
| 6 | #1518 Colburn | 12/4/06 | 10/20/05 | Yes |
| 7 | #1907 Mayoral-Marquez | 7/11/06 | 5/17/05 | Yes |
| 8 | #3844 Dominguez | 3/9/07 | 5/23/06 | No |
| 9 | #7295 Walker | 5/3/07 | 6/26/06 | No |
| 10 | #9135 Cano | 12/8/06 | 1/27/06 | No |

| 11 | #19 Mackizie | 4/12/07 | 6/15/06 | No |
|----|--------------|---------|---------|-----|
| 12 | #839 Johnson | 8/7/06 | 9/8/05 | No |
| 13 | Wright | 2/6/07 | 5/8/06 | No |
| 14 | #9199 Sanchez | 9/20/06 | 10/26/05 | No |
| 15 | #18729 Rogers | 11/13/06 | 12/19/05 | No |

Column C: *This Inspection* means the latest inspection in Fiscal Year 2007, which is the period from 7/1/06 to 6/30/07. It is a full inspection, whatever the outcome, not a follow up inspection or repair verification. Normally it will be the initial visit, unless an inspection did not occur on that visit because the tenant was unavailable. The date recorded here in this table is that found on the inspection forms in the tenant files. This is the date that should be entered in field 5i of the current 50058.

Column D: *Preceding Inspection* means the inspection immediately before *This Inspection*. This too is a full inspection, same as *This Inspection*. This is the date that should have been entered in field 5i of the preceding 50058.

Column E: *Late* means that C is after the one year anniversary of D, as opposed to on or before that anniversary. Entered here by visual inspection of the dates in the table, which come from the inspection forms. The PIC system registers lateness similarly, but uses the entire universe, and the fields 5i in the current and preceding 50058.

From the above table, 2 out of 15 are late, which equals 13%. This result by itself does not refute the 2% lateness established by PIC. But it gives us two to look at further to ensure that the proper data was input into the 50058s.

#1518 Colburn: 12/4/06 is the date that was entered on the current 50058, dated 2/6/07. 10/20/05 is the date that was entered on the preceding 50058, dated 10/26/05. So these were properly input, meaning it would have correctly registered as late in PIC.

#1907 Mayoral-Marquez: 7/11/06 is not the date that was entered on the current 50058, dated 9/25/06. Instead, 8/1/06 was entered there. 5/17/05 is the date that was entered on the preceding 50058, dated 7/15/05.

The preceding date was properly input but the current date was not. But the current date was input as even later than it should have been, meaning it too would have registered as late in PIC.

In both late cases, the lateness was registered as such in PIC. Therefore we consider the PIC data to be reliable for this indicator. The 2% Lateness Rate is validated. And this is less than 5%, so the confirmed score is 10 points.

## INDICATOR 13, LEASE-UP

Performance Standard for Acceptable Rating in this Indicator:

This indicator assesses whether the HA enters into assistance contracts on behalf of eligible families for the number of units that have been under budget for at least one year. The maximum score for this indicator, 20 points, is awarded if the lease-up rate is 98% or higher; a score of 15 points is awarded if the lease-up rate is 95-

97%; a score of 0 is awarded if the lease up rate is below 95%. Lease-up rate may be calculated using either the percent of total unit months available (UMAs) under lease or the percent of the total annual budget authority (ABA) utilized. (Reference: 24 CFR 982.157).

FY 2007 Performance

HACoLA reported a lease-up rate below 95%, which resulted in a SEMAP score for lease-up of zero (0).

There are 20,747 regular Vouchers available, equivalent to 246,894 Unit Months Available (UMA) as reported on their Financial Data Schedule (FDS). The lease-up rate calculated using the percent of total unit months available resulted in a lease-up rate of 86.4%

For the HA's fiscal year ending 6/30/2007 it received HAP funding for its annual budget authority of $186,505,985 as reported in the FDS submission to REAC. The HA also reported HAP payment expenses of $154,962,180 to REAC. Determining the lease-up rate by the total annual budget authority utilized resulted in a lease-up rate of 83.1%

The team confirmed the lease-up rate by either method is below 95%; the confirmed score for Indicator 13 of zero (0) will not change.

Documentation for verifying the data for this indicator as reported by the HA was readily available.

FY 2008 Performance Projection

HACoLA anticipates a lease-up rate of 97% for their fiscal year ending 6/30/2008. If the actual lease-up rate improves, the Authority will earn points on this indicator as HACoLA attempts to bring its annual voucher funding utilization rate up to 100% by temporary over utilization.

## INDICATOR 14, FAMILY SELF-SUFFICIENCY

Performance Standard for Acceptable Rating for this Indicator:

(This indicator applies only to Housing Authorities with mandatory FSS programs.) The Housing Authority has enrolled families in the FSS program as required, and the Housing Authority supports FSS by ensuring that families increase income and establish escrow accounts balances.

MTCS report shows number of families currently enrolled in FSS. This number is divided by the number of mandatory FSS slots based on funding reserved for the Housing Authority through the second to last completed Federal fiscal year, or based on a reduced number of mandatory slots under a HUD-approved exception. An MTCS report also shows the percent of FSS families with FSS progress reports who have escrow account balances.

To receive the 20 points for this indicator, the Housing Authority must have filled 80 percent or more of its mandatory FSS slots and 30 percent or more of FSS families have escrow account balances.

The Housing Authority will receive 8 points if the Housing Authority filled 60 percent to 79 percent or more of its mandatory FSS slots and 30 percent or more of FSS families have escrow account balances.

The Housing Authority will receive 5 points if the Housing Authority filled 80 percent or more of its mandatory FSS slots but fewer than 30 percent of FSS families have escrow account balances.

The Housing Authority will receive 5 points if the Housing Authority filled 30 percent or more of its mandatory FSS slots but fewer than 60 percent of FSS families have escrow account balances.

The Housing Authority will receive 3 points if the Housing Authority filled 60 percent to 79 percent of its mandatory FSS slots but fewer than 30 percent of FSS families have escrow account balances.

The Housing Authority will receive 0 points if the Housing Authority filled fewer than 60 percent of its mandatory FSS slots but fewer than 30 percent of FSS families have escrow account balances.

FY 2007 Performance

In the 6/30/2007 certification for SEMAP, HACoLA reported a mandatory program size of 833, with 342 families currently enrolled in the FSS Program. HACoLa's PIC reporting for MTCS showed 342 participants, with the HA maintaining FSS escrow accounts for 162 families.

The score for this indicator is confirmed as 5 points and will not change.

Projection

HACoLA should continue maintaining records of all individuals participating in the FSS program including those who have graduated and those who have been terminated, providing the reasons for termination. HACoLA should provide documentation in the file to indicate that they have established a bank account for tenant's escrow funds and that escrows are being maintained in accordance with HA policy.

HACoLA should also take steps to ensure that the PIC/MTCS database is correct, and the SEMAP Certification is consistent with PIC/MTCS in reporting the correct program size and number of families enrolled. At all times, the FSS program participant data should match the PIC/MTCS database and SEMAP certification. The documentation for verifying the data for this indicator as reported by the HA must be maintained and readily available.

# HACoLA SEMAP Scores

## 6/30/2007

| Indicator | Max. Score | Original Certification | Unconfirmed Score | HUD Review Score |
|---|---|---|---|---|
| 1. Selection from the Waiting List | 15 | 15 | 15 | 15 |
| 2. Reasonable Rent | 20 | 20 | 20 | 20 |
| 3. Determination of Adjusted Income | 20 | 0 | 0 | 0 |
| 4. Utility Allowance Schedule | 5 | 5 | 5 | 5 |
| 5. HQS Quality Control Inspections | 5 | 5 | 5 | 5 |
| 6. HQS Enforcement | 10 | 0 | 0 | 0 |
| 7. Expanding Housing Opportunities | 5 | 5 | 5 | 0 |
| 8. Payment Standards | 5 | 5 | 5 | 5 |
| 9. Annual Reexaminations * | 10 | 10 | 10 | 0 |
| 10. Correct Tenant Rent Calculations * | 5 | 5 | 5 | 5 |
| 11. Pre-Contract HQS Inspections * | 5 | 5 | 5 | 0 |
| 12. Annual HQS Inspections * | 10 | 10 | 10 | 10 |
| 13. Lease-Up* | 20 | 0 | 0 | 0 |
| 14. Family Self-Sufficiency * | 10 | 5 | 5 | 5 |
| 15. Deconcentration Bonus ** | N/A | N/A | N/A | N/A |
| Total | 145 | 90 | 90 | 70 |
| Percent | | 62 | 62 | 48 |

Note *- These indicators rely on the PIC/MTCS system.

Note **- The Deconcentration Bonus is worth a maximum of five points, but only if the PHA certifies to this indicator. If the PHA is not required to certify to this indicator, and elects not to do so, it does not lower the overall score.

Based upon the SEMAP Certification Review, the HACoLA's SEMAP Certification score is modified. The confirmed score is 48%. The HACoLA is designated a Troubled performer.

# PART II: MANAGEMENT ASSESSMENT

## GOVERNANCE

This area assesses the Board of Commissioners and Executive Director to determine if they provide effective guidance and direction in planning for PHA operations and in establishing and executing PHA policies. It also evaluates the Board's compliance with Federal and State guidelines or regulations relating to the operation of the Authority and the Authority's relationships with local political entities.

The HACoLA operates a Section 8 program of 20,876 vouchers.

The Section 8 Program is governed by a nine (9) member Board of Commissioners. The Board of Commissioners falls under the direction of the Board of Supervisors. The Board of Supervisors consists of five (5) elected officials who serve the entire county. The Board of Supervisors meet every Tuesday, however, they may not have an agenda relative to the Section 8 program at each of their meetings.

The Board of Commissioners is the policy making body for the HACoLA. This Board's make-up includes four members which are tenant commissioners. The Board of Commissioners meets the 3rd Wednesday of every month. They review and approve the Section 8 Administrative Plan, PHA Agency Plan, and other applicable program documents for the administration of the Section 8 Program. The Board of Commissioners report monthly to the Board of Supervisors.

The Board of Commissioners, their tenure and expiration dates are as follows:

| NAME | TENURE | TERM EXPIRES |
|---|---|---|
| 1. Adrianne Martinez | January 2006 | February 2012 |
| 2. Henry Porter Jr. | January 2001 | February 2012 |
| 3. Severyn Askenazy | August 2000 | February 2010 |
| 4. Philip Dauk | April 1996 | February 2011 |
| 5. Lynn Caffrey Gabriel | January 2004 | February 2009 |
| 6. Alberta Parrish (PH tenant commissioner) | September 2007 | September 2009 |
| 7. PH Tenant Commissioner | Vacant | |
| 8. Voucher Tenant Comm. | Vacant | |
| 9. Voucher Tenant Comm. | Vacant | |

The Executive Director (ED) is hired by the Board of Supervisors. The ED has oversight of PHA staff. The ED is evaluated annually by the Board of Supervisors. The former ED of HACoLA, Carlos Jackson, recently retired. The HA currently has a Contractor in an acting capacity, and is in the process of recruiting a new ED.

HACoLA staff indicated that special meetings are held as needed, however, over the past few years, they have been limited. The Board has standing committees, such as the ad hoc committee and several others. Currently the HA has interagency agreements with the Sheriff's Department, TANF, other government agencies and City Council. Copies of these agreements were provided to the team. A copy of the by-laws and resolution adopting them was also provided to the team.

## ORGANIZATION AND STAFFING

This area assesses the Authority's staffing level and the effectiveness of the organizational structure, personnel management systems or procedures, and general administrative procedures. This includes: position descriptions, performance standards and evaluation systems, employee handbooks, training plans and procedures, general office management procedures, and internal control systems.

The HACoLA consists of 600 employees. The HA does not have employee union agreements. There is an agency policy in place that covers standard personnel matters, work hours, leave, discipline, etc. This information can be assessed through the HA's website address. Documents are updated periodically as needed. The team was provided copies of these documents for review while on-site.

Copies of the Standards of Conduct Policy, Use of PHA Vehicle and Equipment and Record Retention Policies were also provided to the team for review. Conflict of interest disclosures are discussed annually with employees. We were informed that some employees have been suspended for improper involvement with family members.

The team reviewed the following additional policies:

1. Non-Confidentiality/Non-Privacy for Computer Systems and Equipment.
2. Internal Handling of Personal and Confidential Information.
3. Information Technology and Security Program.
4. Password Use and Protection Policy.
5. Fleet Vehicle Management and Driving on Commission Business Policy.
6. Records Management Policy.
7. Public Meeting Conduct Policy.
8. CDC Administrative and Personnel Policies.

These policies appear to be consistent with housing industry practices and application.


Most of the Housing Choice Voucher staff consists of Program Specialists configured into four levels a follows:

| LEVEL | NUMER OF EMPLOYEES | |
|-------|------|------|
| 1 | 17 | Support Staff |
| 2 | 97 | Case Managers/HQS Inspectors |
| 3 | 14 | Lead |
| 4 | 14 | Supervisor |
| Total | 142 | |

The HA has a Training Coordinator and staff are provided training in such areas as: New Employee Orientation, Ethics, Personnel Policy Basic Training, How to Deal with Difficult Employees. Staff also has received HQS training Certification, FSS and Rent Calculations training. There is a computer lab and also a training lab at the Section 8 Office.

The HA uses People Soft System for tracking employee time, i.e., annual and sick leave, and for maintaining Personnel files. Employees are evaluated annually. Copies of employees' position descriptions and performance standards were provided to team members.

## ADMINISTRATIVE PLAN

The review team examined the agency's newly revised Administration Plan. The revised Plan was effective July 1, 2008. Team members reviewed the Plan to ensure that recommended changes made during their on-site visit in June, 2008 were incorporated. After reviewing the Plan, the team made recommendations to the HA pertaining to their local preferences.

Date and Time was shown as a preference, when this is there normal operating procedure. It was recommended that the HA change this, not including it as a preference. This recommendation is consistent with the Board's recommendation of removing the date and time category as a preference adopted by Board approval of the Agency Plan during the March 25, 2008 Board meeting.

Team members were advised that all staff have a copy of the Administrative Plan and have been trained on it.

**Recommendation:**

- Revise Admin Plan and remove date and time as a preference category.
- Train staff on all changes or revisions to the Admin Plan.

## INSPECTION PROCEDURES

PHAs are required to inspect dwelling units in accordance with Housing Quality Standards (HQS). The HQS inspections staff consists of about 18 employees, according to the organizational chart. Each inspector does only one of the two main types of inspections; annuals or move-ins. The inspection staff breaks down into about 12 and 6, respectively. The inspection staff is managed by the Manager of the Assisted Housing Division. The lead inspector was interviewed about their procedures for scheduling and managing the inspections.

The procedure relies on the PHA's software, the Yardi system. This system utilizes PC Tablets with a stylus to record the inspections in the field. Mr. Salmons demonstrated for us some of its reports and capabilities. It uses self developed software and interfaces well with the Yardi system. The annual inspections are not a part of the annual tenant recertification process. They get scheduled based on the preceding year's inspection date, without regard to the dates and schedules of the tenant's recertification. Annual inspections come out on a list from the software each day for each inspector. It is based on the list of the inspections initiated 10 months previous.

This becomes the list of this month's annual inspections. New move-in inspections get requested by the placement officers. The software will have already automatically generated tenant and landlord notification letters at the appropriate advance date. Then the manager creates the list of those to be inspected this month. She sorts these by city and zip code, and then divides them up by day and inspector. This geographical sort has the advantage of minimizing the amount of driving each day. Each day each inspector downloads his day's inspection assignments from the Yardi system into the PC Tablet. Yardi populates each inspection with all the data about the tenant and unit, including whether lead based paint is a consideration.

For more on lead based paint, see a separate section of this report. While using the device, the inspector can read the full text of the questions and the definitions of terms as found in the twenty page version of the HUD HQS inspection form, by means of a click on the screen. After the day's inspections, the inspector returns to the office and prints out the inspection report for filing. The report produced is equivalent to a HUD HQS inspection form, the seven page version. The inspector does the necessary uploads from the device to the system. Then the inspector takes any necessary follow up action, such as letters to the tenant or landlord, and schedules the reinspections to be done on a future day, repeating the cycle. We accompanied two of the inspectors on seven inspection attempts that came due during our visit. These were all on 7/29/08. The Manager of Assisted Housing had arranged for annual inspections in the morning with Mr. Salmons and move-ins in the afternoon with Mr. Edward Simon. They are summarized in the following table.

| Inspections | | | | | | | |
|---|---|---|---|---|---|---|---|
| Inspection Number | Inspector | Address | Bldg Type | Purpose | Extent | Result | Next Step |
| 1 | Salmons | 705 Gerhart, Los Angeles | Single Family | Annual | Full | Pass | File |
| 2 | Salmons | 604 Gerhart, Los Angeles | Single Family | Annual | Full | Pass | File |
| 3 | Salmons | 5647 Via Corona, Los Angeles | Single Family | Annual | Full | No Show | Reschedule |
| 4 | Salmons | 394 S Fraser, Los Angeles | Duplex | Annual | Full | Pass | File |
| 5 | Simon | 1050 W 88, Los Angeles | Apartment | Move-In | Full | Inconclusive | Certification |
| 6 | Simon | 1240 W 90, Los Angeles | Single Family | Move-In | Full | Fail 5 | Re-inspect |
| 7 | Simon | 11833 New Hampshire, Los Angeles | Apartment | Move-In | Full | No Show | Reschedule |

In the *Extent* column above, *Full* means the first inspection for this purpose. A full inspection means everything is looked at, and is the one whose dates are used to measure annual timeliness. *Partial* means a verification of repairs, or a special inspection such as for a tenant complaint. In a partial inspection, only the repairs are looked at, or some other limited scope, so has no bearing on annual timeliness. In the *Result* column, in the case of Fails, the number given is the number of deficiencies cited.

Both inspectors follow the same inspection procedures, which they have established for uniformity. They are well versed on the requirements and the deficiency definitions. They carry the PC Tablet and an electrical outlet tester but not a rod to reach ceiling mounted smoke detectors. They each check the front door for weather-stripping. While in the unit, they each try all the burners on the stove top and oven, the water at the faucets, and flushability of the toilets.

They check lockability and openabilty of windows and doors where required. They ask the tenant if there is anything broken or other problems with the unit. They ask the tenant about the rent paid and family composition, to verify the prepopulated data. They are thorough in going through each item of the inspection, inputting descriptions on each failed item. The PC Tablet software will not enter a completion result until all

required questions are answered. The inspection is entirely completed with the device while in the unit, leaving nothing to memory later. Mr. Salmons said that the staff has had HQS inspection training and all follow the same procedures, for uniformity.

Inspections 3 and 7 were No Shows, meaning the tenant was unavailable and the inspection did not occur. Therefore this visit will have no bearing on annual timeliness, which matters for Inspection 3 because it is an Annual. Only after the inspection is rescheduled and then occurs, will there be a date to compare with last year's.

Inspection 5 was Inconclusive because the stove and refrigerator were missing and are to be supplied by the tenant who has not yet moved in. This is a common situation because that arrangement is the norm in this community. The tenants do not want to move their own appliances in until they know that the unit passes otherwise; because they still need them in their current residence. HACoLA has developed a certification form which the tenant can mail or fax in to the office to certify that the appliances are now present and working. The date the certification is received by the office is deemed to be the date passed, and then is noted on the inspection form. We were provided a copy of this form. Use of this certification avoids the need for a reinspection and is exactly the procedure recommended in the HQS inspection form, HUD-52580-A, page 4 of 20. HACoLA has only recently established this procedure, with the arrival of Ms. Phillips. The previous procedure in this situation was not correct and it resulted in poor performance on the 2007 SEMAP Indicator 11, Pre Contract HQS Inspections. During this inspection, when Mr. Simon communicated the result to the landlord, the landlord said that a neighboring PHA, HACoLA, passes units in this situation. Mr. Simon said he was aware of that, but HACoLA believes it is following the HUD rules.

Inspection 6 failed because of a toilet not being secured to the floor and 4 other items. While there, Mr. Simon scheduled the reinspection with the tenant after conferring with the landlord by phone. Doing all this coordination while together is a good way to streamline the follow-up; better than waiting for the written correspondence. He said sometimes the reinspection occurs and the unit passes before the landlord ever gets the deficiency letter.

In all cases, we confirmed the accuracy of the inspection report, and found no additional deficiencies.

One desirable feature we observed of the PC Tablet software is that it starts each room with all questions unanswered, and requires a positive response like the paper form does. This is in keeping with the ability of the checklist to document the presence of required items. Alternative software we've observed elsewhere starts the room with all passes and requires the inspector to change them to failures when a deficiency jumps out. Those systems provide less assurance that the inspector actually looked at and thought about each inspectable item.

Another desirable process we observed concerned the move-in inspections. The inspector has the only file of paperwork for this contract. He keeps it until he produces an inspection form with a passing notation. Only then does he turn over the folder to the placement officer, who will then draft the contract. This method of physical custody is a good way to prevent jumping the gun on HAP. This, along with the new procedures discussed above, will result in improved performance on SEMAP Indicator 11, Pre Contract HQS Inspections.

In summary, HACoLA is doing a good and thorough job on inspections.

## HOUSING STOCK

PHAs are required to ensure that their housing stock is in decent condition. This is achieved primarily by meeting HQS, which is ensured by the inspection and enforcement functions, discussed elsewhere in this program assessment and under the related SEMAP indicators. But during our visit we also observed some units directly, in order to provide an opinion on the housing stock. We did this during the inspection visits noted above. The assisted housing is located throughout Los Angeles County and includes any region in the county not spoken for by any other PHA. These other PHAs include HACoLA, Norwalk, Baldwin Park, Pica Rivera, and others. HACoLA respects the boundaries strictly. One of the first things a move-in inspector does is check if the address is within jurisdiction. If not, he redirects the tenant to a different PHA. The units we observed, in Inspections 1 to 7 above, are in East Los Angeles and Watts, which are territories in HACoLA's jurisdiction. We saw a narrow range of housing quality. That is, there was not much difference in quality or feel among any of the units. All the homes visited blended well in their neighborhoods, none standing out as differing in appearance from their unassisted neighbors. Overall, we determined HACoLA's assisted housing stock to be of good quality.

## LEAD BASED PAINT

PHAs are required to do their part to safeguard tenants from the health hazards of lead based paint (LBP) in accordance with 24 CFR part 35. To explore this subject, we examined a tenant briefing packet, we observed inspection procedures, and we interviewed the Administrative Analyst.

The tenant briefing packet contains the required pamphlet, "Protect Your Family From Lead in Your Home." The latest version, the June 2003, of the Request for Tenancy Approval, form HUD-52517, has a question 12c, which the landlord must answer about LBP in the unit. We checked the briefing packet and found that it does use a version of the form which included this question. HACoLA uses a customized version of the form with its own name preprinted and with yellow and pink copies attached. This version does not have the questions numbered, but the question is there, right in the middle of the page. Depending on the landlord's answer to this question, an LBP disclosure statement by the landlord may be required in the file. The form for this disclosure statement is also in the packet.

When initiating the HQS Inspection form for the inspector to take into the field, the person initiating the form would normally enter these two items on the front page: (1) The year constructed, and (2) the number of children in family under age six. This information comes from the tenant file. In HACoLA's case we observed the Yardi system prepopulates this information to the PC Tablet when the inspection data is downloaded. When inspecting the unit on site, the inspector should understand that the LBP information entered onto the HQS form in advance of the inspection impacts his entries while on site as follows. If the year constructed is 1978 or later, or if the number of children under six is zero, the LBP items throughout the inspection form should be entered "not applicable." Otherwise, they must be passed or failed. At HACoLA, this process is automatic in the PC Tablet technology. If it is an LBP inspection, those questions get asked. If not, the inspector never sees the questions and the report produced shows them entered "not applicable."

PHAs should require lead safe work practices of their landlords. HACoLA has a booklet titled "Lead Based Paint and Section 8 Owners," which describes the procedures the landlords or their contractors should follow. According to Ms. Colvin, HACoLA presents a copy of this booklet to the landlord when citing an LBP deficiency.

PHAs should seek cooperation from the local health agency in identifying children in their programs who are under six and lead poisoned. If the PHA learns that it has such a child, it may need to pursue getting an LBP risk assessment performed in that child's unit. A risk assessment is not required if it has previously been done or if the building was constructed in or after 1978. Ms. Colvin is aware of these requirements and has sought this cooperation, with the Childhood Lead Prevention Program (CLPP) of the Department of Health Services. She found that legal issues prevented this agency from sharing its data with HACoLA. CLPP has its own procedures for this and takes charge. This is acceptable.

## CHECKING ON CLOSED OIG AUDIT OF HQS

The OIG audit of HQS was issued on 4/3/07 and successfully closed on 12/26/07. We revisited its recommendations to verify that the corrective actions taken remain in effect. There were three recommendations; 1A, 1B, and 2A.

1A. Implement adequate procedures and controls to ensure that units meet HUD's housing quality standards to prevent $11.5 million in program funds from being spent on units that are in material noncompliance. The closure consisted of revising the Standard Operating Procedures and getting training. We observed all these new and improved procedures in effect, in particular the use of the PC tablets. See related section of this report for more on those inspection procedures.

1B. Verify and certify that the owners took appropriate corrective actions for all applicable housing quality standard violations. If appropriate actions were not taken, the Authority should abate the rents or terminate the housing assistance payment contract. The closure consisted of getting the 50 units repaired, and one was abated. We determined this recommendation referred to specific units, and therefore had no potential for undoing.

2A. Develop adequate controls to enforce implementation of policies and procedures to ensure that program units are inspected at least annually to meet HUD's housing quality standards before disbursing housing assistance payments. The closure consisted of targeting annual inspections two months in advance. We learned in our SEMAP Confirmatory review that the delinquency rate is down to 2%, as shown by 2007 SEMAP Indicator 12. This is under 5% which is HUD's performance requirement for achieving the highest possible score. And this will continue to be measured each year by SEMAP, ensuring ongoing performance.

Thus we find that all three recommendations remain in compliance with the corrective actions.

## FINANCE

This area evaluates the comprehensive financial management system the Housing Authority has in place for its Housing Choice Voucher (Section 8 rental) program(s) that monitor and control finances in order to maximize available resources. It identifies the financial record keeping and management requirements for the Housing Choice Voucher program (and other Section 8 programs as applicable) as required by the Annual Contributions Contracts (ACCs). PHAs are given a significant degree of flexibility in managing the financial resources made available for the Section 8 rental Program(s). It requires the Authority be actively involved in designing the financial management structure of its program.

The Housing Authority of The County of Los Angeles (HACoLA) is a Public Housing Authority. In 1982, the Los Angeles County Board of Supervisors consolidated three County entities – the Housing Authority, the Community Development Department, and the Redevelopment Agency – to form the County of Los Angeles Community Development Commission (CDC). The independent audit report for the Housing Authority of the County of Los Angeles is included with the CDC, a component financial reporting unit of the County of Los Angeles, California. The audit for the fiscal year ended 6/30/2007 disclosed no audit findings relative to the Housing Choice Voucher programs.

The Housing Authority's financial management is directed by the Financial Director. The Housing Authority's funds are pooled and are accounted for separately from the CDC.

The Housing Authority has outgoing portability vouchers (port-outs) only. They pay out approximately $450,000. per month in portability vouchers.

Historically, the Administrative fees earned are intended to be sufficient to cover the Administrative expenses of the recurring voucher expenses; however, HACoLA stated that the fees have not covered the costs of the program for the last three years. The draft Administrative Analysis report the team received for the fiscal year ended 6/30/2008, updated on 7/22/2008 but not final, indicates a deficit of administrative fee income over non-HAP program expenses of $2,415,349.

The Authority has been in an intensive lease-up mode in order to improve their lease-up rate and they project for the year ending 6/30/2008 their ABA utilization should show a 115% lease-up rate. For the same time period, the lease up rate is projected at 93% using unit months leased.

The procedure used for issuing HAP checks will allow for the timely payments to landlords and appears to have proper internal controls. The financial controls for establishing funded payable accounts as HAP contracts are signed, appear adequate to avoid overpayments of program funds.

The Authority utilizes a cost allocation plan to distribute costs to the housing or development program division level. The plan was developed for the Authority in 2002 by KPMG and is based on the previous year's actual costs. A Board Resolution adopting the plan for the fiscal year 2008-2009 was approved on June 10, 2008.

The Authority has a Financial Management Policies and Procedures Guide, dated September 24, 2007, which includes the following areas:

- Cash Handling
- Payroll and Timekeeping
- Payment Processing
- Housing Assistance Payment Processing
- Mileage and Parking
- Petty Cash
- Fixed Assets
- Internal Control
- Investment Policy
- Debt Collection
- Loan Program Financial Compliance Policy

The HACoLA financial policies and procedures are inclusive with the CDC Financial Management Policies and Procedures, with program specific areas such as Section 8 identified. While the policies and procedures appear complete, the Guide itself can be confusing to use as a desk reference for this program.

## Finance Staff
- Yui Cheng, Director of Financial Management, CDC
- Karen Ramirez-Smith, Budget Manager, Executive Office of Budget, CDC, (333) 890-7025
- David Chang, Accounting Manager, Financial Management Division, CDC

## Revenue and Expenditures Data

The draft Statement of Revenues and Expenditures the team received for the Authority's fiscal year ended 6/30/2008 indicates total revenues of $185,208,436, total expenditures of $210,688,525 resulting in a deficit of $25,480,089. Expenses have increased due to the Authority's resolve in improving utilization.

The Authority has the ability through its PeopleSoft software program to monitor accounts using variance analysis.

**Issue:** Outstanding Checks Issued

## Observations of Outstanding Checks Issued:

The team was advised that HACoLA has outstanding checks on their books for a substantial amount of time after the issue date. Due to The Check Clearing for the 21st Century Act (Check 21) which was signed into law on October 28, 2003, and became effective on October 28, 2004, HACoLA prints on their HAP checks that they are void after 21 days; however, the checks are still honored for a much longer time. We were advised that outstanding checks issued over the amount of $5,000. were researched by HACoLA staff more quickly than those under that threshold. Many of the outstanding checks are nominal amounts to tenants for utility allowances. Some of these checks have been outstanding for several years.

## Recommendations for Outstanding Checks Issued:

1. HACoLA review outstanding checks.
2. Write and implement a plan to reclassify in the general ledger checks still outstanding after a certain time period.
3. Cancel checks that are past the date threshold stated in the plan.

**Issue:** Concern over overleasing vouchers in the long term

## Observations of Overleasing Vouchers in the Long Term:

In its efforts to increase its leasing of vouchers the Authority runs the risk of not being able to sustain that level in the long term. Although weekly meetings are held between program and financial management staff to coordinate utilization by available unit months and annual budget authority, it is a concern that plans are not being made among the administration, budget office and leasing offices to make contingency plans for various funding scenarios. It is also a concern if the Board of HACoLA is aware of how managing program funds to maximize utilization (while encouraged) will impact program reserves and future funding allocations.

## Recommendations to Correct Overleasing Vouchers in the Long Term:

1. Review present leasing strategy for the Authority.
2. Develop a plan, using input from all pertinent offices that will maximize the leasing rate without running the risk of not being able to sustain the leasing level.
3. Board acknowledgement of the Authority's utilization strategies and contingency plan.
4. Implement the plan developed.
5. Monitor the plan and make leasing changes as funding allows.

**Issue:** General Depository Agreement, form HUD-51999 completed inconsistent with the standards required by HUD.

## Observations of General Depository Agreement Inconsistencies:

The General Depository Agreement between HACoLA and the Bank of America, the depository institution for the Housing Choice Voucher funds, is not completed to HUD standards. The Bank of America maintains that paragraphs within the Agreement must be stricken prior to the Bank endorsing the document. Your executed GDA form with Bank of America, N.A. has paragraph #12 crossed out. The Bank maintains that this practice is followed statewide by their institution, and with deposits made by other PHAs. HUD's requirement to execute this form properly is that there are no modifications of the form, further no parts of the form may be deleted or crossed out. We contacted the FMD and the Los Angeles HUD Field Office, regarding HACoLA's dilemma with the document and the BoA, our position is firm.

## Recommendations to Correct Inconsistencies with the General Depository Agreement:

Re-execute a complete form and forward a copy as instructed by the Los Angeles HUD Field Office in its letter dated April 9, 2008.

## PROCUREMENT

This area assesses the Authority's procurement procedures and practices, and the degree to which the Authority complies with applicable laws, regulations, and policies. HACoLA has a written Procurement Policy dated and effective on September 30, 2005. It identifies and defines types of contracts for construction, supplies, and professional services. It identifies and defines competitive and non-competitive methods and requirements including small purchases, sealed bids, and RFP/RFQ. The procurement policy gives guidance including independent cost estimates and cost analyses.

The HACoLA has a decentralized contract file system with information kept at the division level. The Board approves contracts valued at $50,000 or more. The Authority develops an annual procurement plan based on the previous year.

At the Main office, in Monterey Park, the team reviewed supporting documentation for the payment in July 2007 of tenant approved improvement and change orders for a new leased space for the Section 8 program office in Palmdale CA. The lease was adopted by the Board of Commissioners on October 10, 2006 with the tenant improvement change orders maximum amount incorporated in the lease agreement. The check request amount was less than the maximum amount given in the lease agreement and appropriately approved.

At the Section Eight office, in Santa Fe Springs, the person in charge of the procurement function is Ms. Georganne Colvin, Administrative Analyst. We interviewed Ms. Colvin, who first showed us the Procurement Policies and Procedures Manual that she follows. It's the same one cited above, which applies to the entire agency. Her most common procurement method is a Request for Proposals, or RFP. She walked us through the steps she follows, such as obtaining a scope of services, advertising in the paper, and selection and award.

The payments against all the procurements of this office pass through her desk. We asked for and received a listing of all such payments made in the last month. We examined the list and found the names of all the companies receiving payments along with the amounts and dates. Ms. Colvin explained what goods or services those companies provide. We then asked for and received a compilation of that list that showed each company only once, along with the annual or total contract amount and a description of the good or service. The following tables are a summary of that second list. The two tables here break the procurements into two categories; (1) Non Program Specific, and (2) Program Specific. The first is for purchases that could apply to any business or program, such as office supplies. The second is for those specific to operating the Section Eight program.

| Table 1 |||
| Non Program Specific Procurements |||
| Name | Description | Amount, dollars |
|---|---|---|
| Sparkletts | Bottled water | 1,800 |
| Fujitsu | Computer parts | 136 |
| Priority Mailing Systems | Courier Service | 1,500 |
| Xerox | Fax Repair | 8,400 |
| Excelsior Elevator | Elevator Maintenance | 1,320 |
| Palmdale Place | Office rental | 200,000 |
| Hasler Mailing Systems | Postage meter | 500 |
| Gas Company | Utilities | 6,000 |
| Southern Cal Edison | Utilities | 10,000 |

| Table 2 |||
| Program Specific Procurements |||
| Name | Description | Amount, dollars |
|---|---|---|
| Nat'l Credit Reporting | Credit checks | 30,000 |
| ADR Coach | Hearing Officers | 85,000 |
| Al Brown & Assoc | Hearing Officers | 85,000 |
| Talx | Income verification | 40,000 |
| Apartment Assoc | Owner outreach | 11,268 |
| Bronner | QC of Tenant files | 49,999 |
| Market Vision Partners | Rent comparables | 70,000 |
| Socialserve | Rental listings | 49,999 |
| Quadel | Training: HCV and HQS | 49,999 |

In our interview, we discussed the procurement methods and amounts. All the above, except the Table 1 Utilities were contracts or purchase orders. The utilities were paid as billed, as usual. Table 2 has three amounts that are 1 dollar under $50,000. That amount is used to streamline some contract awards, because at $50,000, the Board must approve. We find all these expenses to be for legitimate needs. In our interview, Ms. Colvin expressed a clear understanding of procurement policies and procedures, and how that furthers competitive prices. We were pleased that she was able to so quickly produce the above cited expense records.

We are satisfied that HACoLA is following proper procurement procedures in accordance with all applicable requirements.

## MANAGEMENT INFORMATION SYSTEMS

This area assesses the Authority's ability to do business electronically and make effective use of available technology.

**Observations:**

HACoLA uses PeopleSoft software for its financial reporting and converted from Visual Homes to YARDI Voyager software for most program functions on July 1, 2008. The Voyager Public Housing Authority software system is combined with the Voyager Property Management system to provide a Web-based application designed for managing Housing Choice Voucher and Public Housing units.

A limited number of HACoLA employees have access to HUD systems, including REAC and PIC. The Program Specialists have primary responsibility for transmitting HUD-50058s to PIC. The Authority does have Internet access and email.

The HA appears to have personnel with a high level of information technology knowledge.